

Europe's prosperity is not to be built via political declarations and never-ending summits. Promoting free, fair and open international trade and removing the remaining barriers to an effective single market in Europe are key for future growth

The economic crisis means that Europe now faces a radical economic shift if it is to secure economic growth in the long term. Petr Nečas, Prime Minister of the Czech Republic, argues that while austerity and budgetary consolidation are immediately necessary, the EU also needs to pursue support measures to encourage competitiveness, increase European demand and resist calls for increased international trade protectionism.



Current developments in Europe leave us in no doubt that the continent's position in the world is undergoing a radical shift. We are struggling to find a way to restore sustainable economic growth and to succeed amid the rising global competition. Europe seeks a new role in the changing geometry of global power and geo-economic and geo-political balance.

In this context, present difficult economic developments and turbulent financial markets pose a truly pressing threat not only for the economic stability but, possibly, also the political stability of a country. The economic crisis has revealed flaws built in the structure of the euro area and in the EU institutional framework. If the monetary union is to survive in the future, it needs to be transformed into a fiscal union. But even as a fiscal union, it cannot function properly, if the problems of many Member States with competitiveness persist. The next step will therefore have to be the creation of a "union of growth and competitiveness".

The present orientation in the EU on austerity and budgetary consolidation are indispensable and right indeed. Nonetheless, in and of themselves, these measures are not sufficient to restore economic growth. They need to be complemented by rational support of competitiveness and demand.

The crisis is, on the other hand, also a powerful incentive to speed up or implement the long postponed measures and reforms, necessary to overcome the difficulties. It is an opportunity to rethink our priorities and return to the fundamentals of European integration, above all, to free trade, focus on competitiveness and growth, and the Single Market.

We need to open our economies to the world and fully unleash the potential of global free trade. It is essential that we identify the bottlenecks and understand what is holding us back so that we can address our barriers to growth. Protectionism represents one such barrier. Many people worry in this regard about the flooding of Europe with cheap goods from all over the world, especially Asia.

A wave of protectionism is rising in many parts of Europe in response to this issue. Let me put it straight: recourse to a protectionist policy and too strong orientation on domestic demand are not viable strategies. Isolation of European markets from the rest of the world would, in my view, inevitably lead to the continent's overall decline.

Instead, we must promote free, fair and open international trade and strengthen our economic relations, not least by concluding free trade agreements with major economic partners, such as the USA, Russia, India or China.

However, we can hardly boost our exports, if our goods are not competitive. The enhancement of competitiveness across the continent must therefore be another key goal, along with orientation on high-quality products and cutting edge technologies.

Nevertheless, the EU's main asset is the Single Market, which has proven a reliable and efficient tool for securing prosperity and economic growth. Personally, I find it quite unfortunate that it is nowadays being overshadowed by various declarations, pacts and bail-out mechanisms.

These replacements of a well operating Single Market, often presented under seductive names, are in many cases nothing more than hollow declarations expressing the politicians' wishes for painless job creation and growth. We cannot build our prosperity from political declarations and never-ending summits.

We must concentrate our efforts on real measures and take concrete steps in removing the barriers to the proper and effective functioning of the internal market and its four freedoms, which form the very core of European integration.

In this regard, I welcome the recent joint letter that the Czech Republic sent along with the United Kingdom and other Member States to the presidents of the European Council and the European Commission. The letter calls for rapid progress in several areas: services, digital Single Market, the internal market in energy, flexible labour market, innovations and reduction of regulatory burdens. I hope that the letter's proposals will be reflected in the upcoming European Council's Conclusions and help return the internal market high on EU agenda.

This year we celebrate the 20th anniversary of the Single Market. Let us not miss the opportunity to significantly develop it further. Together with the United Kingdom and other like minded Member States, I am convinced that we can succeed.

Petr Nečas spoke at the LSE event on 1 March on 'Growth for Europe: Resuscitating the Single Market'.

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About the author

Petr Nečas – Prime Minister of the Czech Republic

Petr Nečas was sworn in as Prime Minister of the Czech Republic by the President in July 2010, after the Czech general election in 2010, and won a vote of confidence for his government from Parliament in August 2010. He leads the Civic Democratic Party (ODS). Prior to becoming the Prime Minister, Petr Nečas served as a Minister of Labor and Social Affairs and a Deputy Prime Minister in 2006-9, and as the First Deputy Minister of Defense in 1995-6.



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